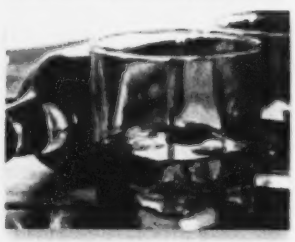
Manitoba Liquor
Control Commission

87th ANNUAL REPORT

For the Fiscal Year April 1, 2009 to March 31, 2010



MLCC

MLCC MISSION STATEMENT

To regulate, distribute and sell beverage alcohol, generating revenue for Manitobans within a framework of social responsibility, customer service excellence, business effectiveness and workplace quality.

CORPORATE VALUES

SOCIAL RESPONSIBILITY

promote the responsible sale and consumption of beverage alcohol and act as a good corporate citizen

IMPORTANCE OF PEOPLE

foster a positive work force by working together as a team towards our common goals

INTEGRITY AND FAIRNESS

develop respectful and ethical relationships where we are fully accountable for our actions, decisions and behaviours

SERVICE EXCELLENCE

provide superior service to our customers, partners and co-workers

CHANGE

embrace change and encourage our employees to be innovative and creative

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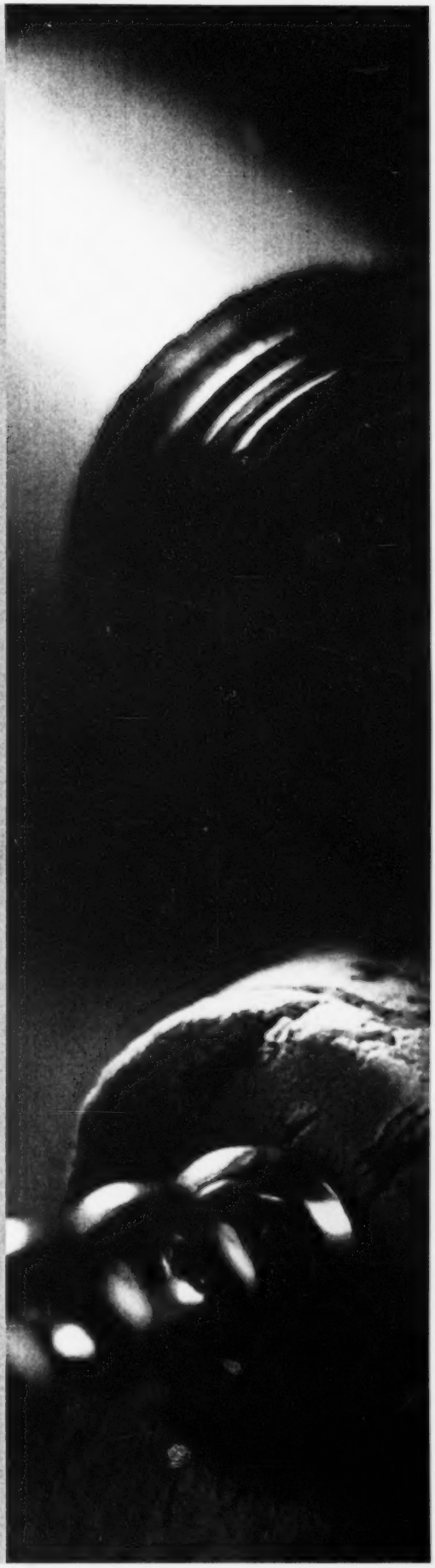


GOVERNANCE AND BOARDS

The **BOARD OF COMMISSIONERS** is the governing body that oversees the activities of the MLCC. The Board Chair reports to the minister responsible for *The Liquor Control Act*, who, in turn, reports to the Legislative Assembly. The day-to-day operation of the MLCC is the responsibility of the President and Chief Executive Officer (CEO), who reports to the Board.

The Board of Commissioners is comprised of nine Board Members who are appointed by the Manitoba Government. One person is appointed as chair and another as vice-chair. The Board meets no less than six times per year and is responsible for the following general governance processes:

- adoption of a strategic planning process, approval of strategic plans and monitoring performance against plans;
- approving annual capital and operating plans and monitoring performance against those plans;
- approving policies and processes to ensure the integrity of the MLCC's internal control and management information systems;
- assessing the contribution of the Board, committees and all Board Members on an annual basis;
- preparing recommendation(s) to the minister responsible respecting the appointment or termination of the CEO;
- succession planning, performance evaluation and leadership development for the CEO and senior management;
- approving the standard compensation structure and benefits package for all employees; and
- approving a communications policy for the MLCC.

The Board is assisted by the work of several committees. These committees include:

- Governance Committee;
- Strategic Planning and Budgeting Committee;
- Audit Committee; and
- Human Resources Committee.

In addition, the Board operates under a well-articulated Governance by-law, which includes specific responsibilities for the Chair and Board Members, as well as Terms of Reference for various committees. A corporate Code of Conduct also guides the actions of the Board and all MLCC employees.

The **LICENSING BOARD** considers applications for licences and determines the appropriate disciplinary action for breaches of *The Liquor Control Act* and Regulations. These decisions may be appealed to the Board of Commissioners.

The Licensing Board is comprised of five persons appointed by the Lieutenant Governor in Council. The Board may be called to meet at any time by the Chair of the Board. All meetings of the Licensing Board are open to the public.

LICENSING BOARD
(standing l – r): Dale Neal (Vice-Chair); Vic Wonnacott (Chair); Les Barrett
(seated l – r) Lorraine Sigurdson; Cliff Bernhardt

CHAIR'S MESSAGE

On behalf of the Board of Commissioners, it is my pleasure to present the 87th Annual Report of the MLCC.

This report on the 2010 fiscal year highlights significant achievements as set out under the MLCC's Strategic Plan. Financially, the MLCC returned a net profit of $233.7 million to the Government of Manitoba in F10. Despite the slow economic recovery affecting other parts of Canada, the MLCC was able to return the largest financial profit in its 87 year history – once again demonstrating its importance to the financial fabric of the province.

Throughout the year, the MLCC continued to balance the needs of its public and commercial customers, while ensuring the responsible sale and consumption of beverage alcohol. With public awareness programs to help raise awareness of minors and alcohol; binge drinking among young adults; pregnancy and alcohol, and impaired driving, the MLCC remains steadfast in its commitment to social responsibility.

F10 achievements also included the implementation of a new retail point-of-sale system; upgrades to the on-line ordering system for commercial customers, as well as continuous improvement in sustainable development activities. A significant accomplishment was the signing of a new four-year Collective Agreement between MLCC's management and its unionized employees.

One of the most significant events of F10 occurred at the helm of the MLCC. Early in the new fiscal year, the Board of Commissioners and Executive Management Team welcomed Ken Hildahl as the new President & CEO. Mr. Hildahl has proven himself to be a results-oriented leader and his experience in corporate strategic planning has been a great asset to the organization as we undertook the development of a new, three-year Strategic Plan. The Board is confident that under Mr. Hildahl's leadership, the MLCC will enjoy continued financial success as a responsible and innovative organization.

On behalf of the members of the Board of Commissioners, I would like to extend congratulations and thank you to the members of the Executive Team, management, and all the employees of the MLCC for their contributions in F10 and for their continued dedication and commitment to this organization and the people of Manitoba.

CARMEN NEUFELD
Chair, Board of Commissioners

BOARD OF COMMISSIONERS
(seated l – r) Fran Frederickson (Vice-Chair); Carmen Neufeld (Chair); Myrna Phillips

(standing l – r) Les Cesostomo; Garry Hammerback; Janine Ballingall Scotten; Ed Azure; Aidan O'Brien; Eugene Kostyra

(missing) Maria Moore

PRESIDENT'S MESSAGE

Fiscal 2010 represents my first year with the MLCC and a year of transition for the organization. We are extremely pleased with our accomplishments over the past year and, in particular, the increase to our net profit by almost two percent over last year. With a return of $233.7 million to the Provincial Government, we can be proud of the fact that these funds will be used to support provincial programs; which help to improve the lives of Manitobans.

While we had a great year financially, a slower economy in F10 meant we were challenged to meet our financial obligations. With the support of the Board of Commissioners; the experience of a seasoned Executive team; and the commitment of our management and staff, we were able to address these challenges with a firm plan for success.

Operationally, we implemented a records management program to meet provincial requirements for electronic record retention, and replaced our out-dated point-of-sale system in all 50 Liquor Marts. We also continued with the upgrade of Liquor Marts to the current, modern retail environment and ensured staff received the training and support they needed to continue to meet growing customer expectations.

A significant accomplishment this past year was the development of a new three-year Strategic Plan for F11 – F13. Input was sought from employees at all levels of the organization and ideas were brought forward and discussed with the entire management team. During the final stage of the process, the Board of Commissioners and Executive Management developed a long-term vision for the MLCC. The result was a new Vision Statement and three new themes of Innovation, Sustainability and Responsibility; which will be introduced early in F11.

While the new Strategic Plan will lay the groundwork for long-term success at the MLCC, I believe that continued success requires more than just having a plan. As I travelled throughout the province this past year getting to know our business and visiting and working in our stores, it was clear to me that the success of the organization relies heavily on the commitment of employees. The MLCC is fortunate to have a dedicated and committed workforce and I want to take this opportunity to thank all employees for contributing to our achievements in F10.

Thank you as well to the Board of Commissioners and to the Executive Management Team for the warm welcome and for their support this past year. While we accomplished a great deal in F10, there is much more to do as we strive for the betterment of our organization, our industry, and for the people of Manitoba.

KEN HILDAHL
President & CEO

F10: THE BUSINESS PLAN IN REVIEW

The MLCC's Strategic Plan is comprised of five goal areas. These areas provide the blueprint for incorporating the mission statement and corporate values into its daily operational activities. The five goal areas are:

FINANCIAL
SOCIAL RESPONSIBILITY
CUSTOMER SERVICE
BUSINESS EFFECTIVENESS
WORKPLACE QUALITY

The following is a brief overview of the MLCC's accomplishments in F10:

FINANCIAL

The MLCC returned $233.7 million to the Provincial Government in F10. Increased beer volumes, an increase in beer prices, and a continuing trend by consumers toward premium-priced products, assisted the MLCC in surpassing last year's return, despite a global economic downturn.

SOCIAL RESPONSIBILITY

A new public awareness campaign called *Be the Change – Let's Stop Impaired Driving* used television and taxi-cab advertising to encourage people to make a personal commitment to change impaired driving behaviour and the *Be Undrunk* campaign used mannequins to demonstrate the unpleasant consequences of binge drinking. The MLCC supported an increase in fines for sale and service of alcohol to minors while it continued to balance education and enforcement of *The Liquor Control Act*.

CUSTOMER SERVICE

Several F10 initiatives were aimed at improving service to both the public and commercial customers. Stand-outs included the elimination of additional fees under occasional permit fees; upgrades to the ATLAS on-line ordering system for commercial customers, and renovations to the Tyndall Market and Crestview Liquor Marts in Winnipeg.

BUSINESS EFFECTIVENESS

A new point-of-sale system, with the ability to sell and redeem gift cards, was successfully implemented in all 50 Liquor Marts in F10. The selection of a records management software solution and a successful pilot moved the MLCC a step closer to fulfilling provincial and federal requirements for the management of its electronic records. The implementation of energy efficiencies in the new Distribution Centre earned the MLCC the 2009 Excellence in Sustainability Award from the Government of Manitoba Round Table for Sustainable Development.

WORKPLACE QUALITY

MLCC employees provided input into the Strategic Planning process demonstrating why they continue to exceed national averages for engagement in the workplace. A new learning management system was implemented in the HR Department and will be used to automate training administration, as well as the development and delivery of on-line training. A new four-year Collective Agreement was signed with the MLCC's unionized employees.

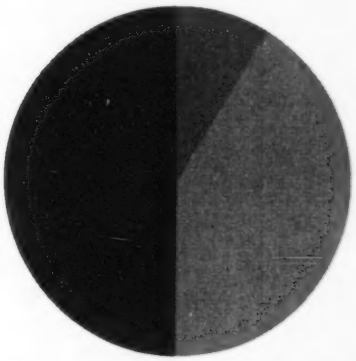
Goal:

Meet the net profit requirements of the Manitoba Government through the controlled sale of beverage alcohol.

Objective:

Meet the net profit requirements of the Manitoba Government.

WHERE DOES THE MONEY GO?



Provincial Government	$233.7	38%
Federal Government	$53.6	9%
Merchandise	$257.3	42%
Operating Expenses	$70.7	11%

ADDITIONAL PAYMENTS TO THE PROVINCE (IN MILLIONS)

Retail Sales Tax	$20.8
Environmental Protection Tax	$2.0
Waste Reduction & Prevention Tax	$0.5

ADDITIONAL PAYMENTS TO THE FEDERAL GOVERNMENT (IN MILLIONS)

Goods and Services Tax	$30.8

FINANCIAL

PERFORMANCE RESULTS:

Each year, the MLCC creates a budget to achieve a net profit that it expects to turn over to the Manitoba Government for the fiscal year. The net profit amount is agreed upon with the government and forms part of the Provincial Budget. To achieve its financial objectives, the MLCC sets targets for all sales areas.

Results:

Net Profit:	Target:	$236.2 million
	Actual:	**$233.7 million**

NET PROFIT for F10 is $2.6 million or 1.1% below budget. Sales volumes increased for all categories in F10 in comparison to the previous year, although at a lower rate for all categories except beer. As a result, sales volumes were slightly below budget.

To ensure it would be able to meet financial obligations to the province, the MLCC increased its minimum markup for refreshment beverages (coolers/ciders) early in the fiscal year. Later in the year, the price for a 12-pack of popular domestic beer increased by $1.25 due to a supplier price increase; an increase in the MLCC markup; and an increase in compensation to beer vendors for handling empty containers. Despite the beer price increase, the MLCC's pricing for domestic beer remained among the lowest in the country.

The consumer trend toward the purchase of premium-priced products continued in F10. This trend, along with the MLCC strategy to focus its marketing efforts on premium products, resulted in the deluxe/premium spirits category achieving a 67.3% share of market. This is the highest share of market ever achieved by this category. The impact of lower sales volumes was lessened by the trade-up to premium-priced spirits.

Spirits – Deluxe/Premium Category

Share of Market:	Target:	63%
	Actual:	**67.3%**

The MLCC continued to monitor prices through a cross-Canada pricing comparison with an aim to being competitive with Saskatchewan and Ontario. In F10, MLCC prices were somewhat higher than Ontario and Saskatchewan for spirits and wine.

$233.7 MILLION RETURNED TO MANITOBANS!

PROFIT AND EXPENSE RATIOS (IN THOUSANDS)

Fiscal Years Ending March 31

	2006	2007	2008	2009	2010
Sales	486,734	521,380	554,769	583,763	610,515
Gross Profit	243,526	259,822	275,226	288,241	299,599
Net Profit	196,238	207,944	219,210	229,164	233,677
General and Administrative Expenses	50,279	53,934	58,328	60,355	66,913
Depreciation	2,448	2,583	2,666	3,313	3,761
Gross Profit as % of Sales	50.0%	49.8%	49.6%	49.4%	49.1%
Net Profit as % of Sales	40.3%	39.9%	39.5%	39.3%	38.3%
General and Administrative Expenses as % of Sales	10.3%	10.3%	10.5%	10.3%	11.0%

VOLUME SALES (MILLIONS OF LITRES)

	Beer	Spirits	Wine	Coolers/Ciders
2006	74.2	6.4	7.7	2.6
2007	78.0	6.5	8.2	2.6
2008	79.0	6.7	8.7	2.7
2009	80.4	6.9	9.0	2.8
2010	**82.0**	**6.9**	**9.3**	**2.9**

PRODUCT $ SALES (IN MILLIONS)

	Beer	Spirits	Wine	Coolers/Ciders
2006	215	170	87	15
2007	229	179	97	16
2008	242	190	106	17
2009	255	198	112	19
2010	**271**	**203**	**117**	**20**

PER CAPITA CONSUMPTION (IN LITRES)

	Beer	Spirits	Wine	Coolers/Ciders
2006	83.5	7.2	8.7	2.9
2007	87.1	7.3	9.2	2.9
2008	87.5	7.4	9.6	3.0
2009	88.0	7.5	9.8	3.1
2010	**88.3**	**7.4**	**10.0**	**3.1**

Source: Manitoba Health Population Report based on population over the age of 17 as of June 1 of each year.

Goal:

Promote the safe consumption and responsible service of beverage alcohol to Manitobans through education and regulation.

Objectives:

1. Support programs to promote the socially responsible consumption of beverage alcohol, setting aside a minimum of 0.20% of estimated gross profit to fund these programs.
2. Optimize compliance with *The Liquor Control Act*.

SOCIAL RESPONSIBILITY

PERFORMANCE RESULTS:

PROGRAMS

- The MLCC launched a new public awareness program called ***Be the Change – Let's Stop Impaired Driving*** to bring attention to the issue of drinking and driving. The program was supported with television, radio, print and taxi-cab advertising, as well as a web site. During the Christmas holiday season, responsible drivers who successfully passed through police check stop programs in Winnipeg and Brandon, or used Operation Red Nose, were rewarded with a chance to win weekend getaways at Manitoba hotel resorts. During the three week contest, the web site received approximately 550 new visitors and 199 entries were received for the contest.
- ***Be With Child-Without Alcohol –*** The program to raise awareness about drinking alcohol while pregnant and FASD was promoted through print, bus-board and washroom advertising, Environment Canada's Weather Channel and on Liquor Mart bag imprints and cash register receipts. The program information booklet and web site was refreshed late in the fiscal year and will be re-launched in early F11.
- ***Be Undrunk –*** A campaign using mannequins in scenarios related to binge drinking were introduced on the program's web site and displayed at the Universities of Winnipeg and Manitoba as well as Assiniboine and Red River College campuses. An online contest was introduced to entice visits to the web site. By interacting with site information and participating in an on-line survey, visitors were given the opportunity to win various prizes ranging from an iPhone to iTunes gift cards. The contest drew 2,700 entries and 10,000 new visits to the web site were recorded. Approximately 1,000 people signed up for the Be Undrunk Facebook fan page.
- ***Show Your Age –*** In-store signs in Liquor Marts and licensed premises continued to promote the requirement for young adults to provide photo-identification when purchasing alcohol. **Note: The requirement for MLCC photo identification became obsolete with the implementation of government-issued photo identification through Manitoba Public Insurance.** The MLCC ceased producing photo-id in June 2009, although cards issued prior to this date remain valid.

COMMUNITY SUPPORT

- The MLCC continues to partner with and provide support to the Thompson Downtown Strategy to address alcohol related issues in the City of Thompson. Financial support also continued for the sherry bottle pick-up program in both Thompson and The Pas.
- The MLCC also supports and participates on numerous community committees to address alcohol-related issues, such as the Non-Potable Abuse Committee; Manitoba Addictions Awareness Week Committee; and the Downtown Winnipeg BIZ Association.

LICENSING & INSPECTION

- The MLCC continued to balance education and enforcement to ensure compliance with *The Liquor Control Act*. Inspection Services uses a risk-based inspection program

55.1% OF RESPONDENTS TO THE "BE UNDRUNK" ON-LINE SURVEY SAID THEY CHANGED THEIR DRINKING HABITS BECAUSE OF THE PROGRAM.

dependent upon the type of licence held and the previous history of operation. Establishments where liquor is the primary component of the operation, such as a beverage room, cabaret, beer vendor, and cocktail lounge, are inspected more frequently than those where food is the primary component of the operation.

- Progressive disciplinary action is recommended for those licensees, permittees and banquet hall operators who continue to breach *The Liquor Control Act* and Regulations.

Number of Inspections:

Licensed Premises	Target: 25,500	**Actual: 25,867**
Sale Permit Functions	Target: 20%	**Actual: 22.8%**
# of Inspections with No Breaches	Target: 97%	**Actual: 97%**

Number of Educational Seminars:

Licensed Premises	Target: 125	**Actual: 180***
Permitees/Banquet Halls	Target: 75	**Actual: 69**

* *Additional seminars were conducted to address breaches of* The Act.

GIESBRECHT REPORT

- In December 2009 Judge Linda Giesbrecht issued an Inquest Report on the death of Russell Cook under *The Fatality Inquiries Act*. Mr Cook died after being restrained by hotel staff in October 2006. In Justice Giesbrecht's report, two specific recommendations were directed at the MLCC. In response to the recommendations, the MLCC amended the *It's Good Business* responsible service training manual to include some basic information about restraint and the dangers associated with restraining a person. The MLCC also consulted with industry and stakeholders to determine further actions and opportunities to expand safety initiatives in licensed premises. This was done through the formation of a working group comprising of a cross section of stakeholders and industry partners. The MLCC expects to implement initiatives to further enhance safety in F11.

RETAIL SOCIAL RESPONSIBILITY SHOPS

The MLCC uses professional shoppers to shop its Liquor Marts and rates stores on frequency of checking photo-identification for proof of age.

Social Responsibility Shops

Target: 100% rating per store

Actual: 94% overall achieved*

* *Corrective action was taken to improve rating through additional training*

CHALLENGES AND REFUSALS

- In addition to asking customers for proof of age, Liquor Mart employees also refuse service to minors and impaired customers.

	F10	F09
Proof of Age Requests:	311,143	294,907
Minors Refused:	14,430	14,432
Impaired Refused:	11,939	9,496

LEGISLATIVE CHANGES

THE LIQUOR CONTROL ACT:

- There were no changes made to *The Act* in F10.

REGULATIONS:

- Repeal of Liquor Control Photo-Identification Cards Regulation 117/89 by M/R 103/2009 registered June 23, 2009.
- Amendment of 200/94 Liquor Control Miscellaneous Provisions Regulation by M/R 165/2009 and became law on October 17, 2009, allowing Specialty Wine Store operators and their staff to conduct in-store sampling.
- Amendment of 57/95 Payment for Liquor Regulation by M/R 166/2009 and became law on October 17, 2009, allowing the MLCC to accept coupons, gift certificates or gift cards as acceptable forms of payment for liquor.
- Amendment of 177/94 Liquor Licensing Regulation by M/R 167/2009 and became law on October 17, 2009; removing requirement for licensee holding a certificate of hotel registration and beverage room licence to operate a dining room during specified hours when beverage room is operating, and requiring beverage room operators to provide at least two hot food items.
- Amendment of 48/99 Liquor Control Commission Fees Regulation by M/R 217/2009 and became law on February 1, 2010, allowing for the restructuring of occasional permit fees and elimination of additional fees.

NUMBER OF HOTEL REGISTRATIONS & LICENCES

Class of Licence	2006	2007	2008	2009	2010
Hotel Registration	318	312	300	301	302
Retail	292	289	275	277	273
Beverage Room	267	262	252	249	249
Dining Room	1,148	1,143	1,132	1,116	1,125
Transportation	11	9	8	8	7
Cocktail Lounge	475	471	483	412	403
Cabaret	26	26	29	30	29
Spectator Activities	40	42	44	45	45
Private Club	262	260	252	252	249
Canteen	15	15	15	15	13
Sports Facility	152	147	151	142	144
Manufacturer's	21	22	22	20	17
Totals	**3,027**	**2,998**	**2,963**	**2,867**	**2,856**

INSPECTIONS, INVESTIGATIONS AND EDUCATIONAL SEMINARS

	2006	2007	2008	2009	2010
LICENSED PREMISES					
Licensee visits	23,775	25,097	26,110	27,112	25,867
Licensee requests for service	942	1,171	997	1,069	1,144
Final Inspections	234	246	259	256	224
Applications for licence	146	143	153	109	126
Licensee education sessions	111	146	100	174	180
Total	**25,208**	**26,803**	**27,619**	**28,720**	**27,541**
OCCASIONAL PERMITS					
Inspections while in progress	1,664	1,783	1,582	1,501	1,471
Investigations prior to issue	1,617	1,844	1,838	2,111	2,626
Education of hall owners/permittees/public	88	73	56	76	69
Inspection of new banquet halls	191	241	236	233	287
Total	**3,560**	**3,941**	**3,712**	**3,921**	**4,453**
PUBLIC INVESTIGATIONS					
Photo ID	593	593	880	1,151	277*
Public Complaints	382	309	384	313	360
Total	**975**	**902**	**1,264**	**1,464**	**637***

* The MLCC Photo ID program was discontinued June 29, 2009.

RECOMMENDED DISCIPLINARY ACTION

	2006	2007	2008	2009	2010
LICENSEES:					
Administrative					
– warning letters	214	259	248	273	250
– meetings with Manager, Inspection Services	14	41	40	44	41
Total	**228**	**300**	**288**	**317**	**291**
BOARD:					
– disciplinary hearings	33	49	29	29	44
– appeal hearings	8	11	1	5	9
BOARD ACTION:					
– warnings	4	3	3	5	7
– suspensions	26	42	25	21	34
– cancellations	2	1	0	1	1
– monetary penalty	–	–	–	2	7
– other	2	4	2	0*	1
Total	**34**	**50**	**30**	**29**	**50**
Total suspension days issued	**67**	**106**	**70**	**38**	**91**
Total monetary penalties issued	**–**	**–**	**–**	**$7,500***	**$11,150**

* Two items have been moved from 'Other' to new category 'Monetary Penalty' and amount has been noted.

Note: Board actions may not equal number of hearings due to appeals carried forward to next fiscal year, or more than one action taken at a hearing. Suspension days issued by the Board may not equal days served due to pending appeals.

PERMITTEES/HALL OWNERS:					
Administrative					
– warnings	13	6	6	4	5
– suspension of privileges	2	1	1	8	7
Total	**15**	**7**	**7**	**12**	**12**

Breaches of *The Liquor Control Act* are dealt with through a process of progressive discipline.

- Cautions – Usually given where there is no previous record (which include educating licensees regarding breach)
- Warning Letter – Usually given where there is a record of operation and the breach is of a less serious nature
- Meeting with Manager, Inspection Services – To discuss solutions to the problem
- Licensing Board Hearing – Usually for breaches of a more serious nature. Appeals are heard by Board of Commissioners

These disciplinary actions form part of a licensee's record of operation. Breaches of *The Liquor Control Act* by banquet hall operators and occasional permit holders are normally handled by administration of the MLCC.

OCCASIONAL PERMITS ISSUED

	2006	2007	2008	2009	2010
Liquor Sold	7,102	7,020	6,796	6,607	6,473
Liquor Complimentary	4,360	4,316	4,443	4,290	4,289
Total	**11,462**	**11,336**	**11,239**	**10,897**	**10,762**

Goal:

Deliver excellent customer service to our retail and commercial customers.

Objectives:

1. Enhance service to our public customers by continuing to elevate customer service levels to meet increasing expectations.
2. Enhance service to commercial customers by continuing to elevate customer service levels in response to increasing expectations.

CUSTOMER SERVICE

PERFORMANCE RESULTS:

Measure	Target	Achieved
Liquor Mart Service Shop Ratings	90%	**90%**

CUSTOMER SERVICE IMPROVEMENTS

- In February 2010, the MLCC made improvements to the occasional permits process by streamlining its fee structure and eliminating the additional fees collected with the occasional permit fees. This change simplified the fee system for customers and helped to free up time for Liquor Mart staff to better serve customers.

LIQUOR MART DEVELOPMENT

- The MLCC is committed to providing a convenient, modern shopping experience for its customers and employs an ongoing program to renovate and update Liquor Marts. In F10, the following Winnipeg Liquor Marts were renovated to current design standards:
  - **Tyndall Market** was relocated from inside the mall to a new 7,070 square foot building constructed by the landlord on the south east corner of the mall lot.
  - **Crestview Shopping Centre** was expanded by 3,000 square feet and renovated to current standards.
  - **Eastwinds Shopping Centre** was under renovation in F10 to expand the store by 3,150 square feet. The expansion will be completed in F11.

COMMERCIAL CUSTOMER SUPPORT

- Upgrades were made to the MLCC's ATLAS on-line ordering system. Enhancements were also made to meet specific Liquor Vendor needs.

COMMUNITY SUPPORT

- Manitoba Liquor Marts continue to assist urban and rural communities with hosting wine festivals in support of community and charitable organizations. These events also provide the MLCC with opportunities to enhance product knowledge. The largest of these events is the Winnipeg Wine Festival in support of Special Olympics Manitoba.
- Throughout the year, the MLCC helps to support over 100 charitable organizations involved in health, community, arts and sports programs through sponsorships, an in-store coin box program, and customer "Donate-A-Dollar" programs.

"FABULOUS SELECTION AND THE STAFF ARE ALWAYS UP-BEAT, FRIENDLY, CHEERFUL AND KNOWLEDGEABLE."

—LIQUOR MART CUSTOMER

PRODUCT EDUCATION

- Product Ambassadors conducted 53 public and private sessions for more than 1,200 attendees in Winnipeg and surrounding areas. Eight sessions were conducted in Brandon. These courses include training sessions for Liquor Mart product consultants and staff, liquor vendors, as well as food and product pairing sessions for the public.

MLCC PRODUCT LISTINGS

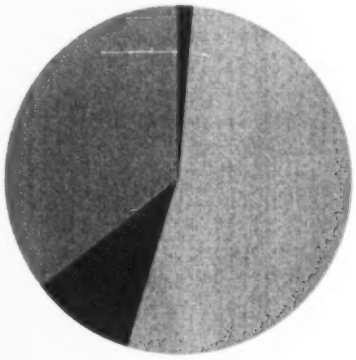
- Having the right product, at the right price, and at the right time is one of the keys to the MLCC's customer service success.

Product Listings as at March 31, 2010:

Spirits	general list – 532	specialty list – 371
Wine	general list – 1,183	specialty list – 1,363
Beer	MLCC distributed – 120	privately distributed – 443
Refreshment Beverages (coolers/ciders)	general list – 87	
TOTAL:	**4,099 ACTIVE LISTINGS**	

Note: General list products typically represent those with high volume sales. Specialty list products have smaller volume sales and are unique products that round out the overall corporate assortment.

RETAIL OUTLETS



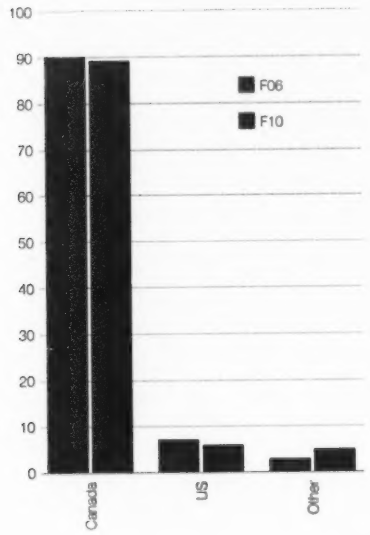
MLCC Liquor Marts	50
Private Beer Vendors	271
Specialty Wine Stores	8
Private Liquor Vendors/ Duty Free Stores	180

WINE FESTIVALS AND TASTINGS

COMMUNITY	AMOUNT RAISED	RECIPIENT
Brandon (Westman Wine Festival)	$9,455	Brandon Rotary Club (Elspeth Reid Family Resource Centre)
Dauphin	$8,069	Dauphin Rotary Club
Lac du Bonnet	$2,407	Lac du Bonnet Lions Club & Lac du Bonnet Foundation
Pine Falls	$3,075	Wings of Power Breakfast Program
Portage la Prairie (April/09)	$4,216	William Glesby Centre
Portage la Prairie (March/10)	$4,539	William Glesby Centre
Roblin	$2,818	Life & Art Centre
Russell	$2,348	Russell Recreation Commission
Swan River	$1,618	Swan River Ladies Curling Club
The Pas	$4,512	The Pas Health Complex Foundation Inc.
Thompson	$4,121	Thompson Community Foundation
Winnipeg	$45,490	Flatlander's Beer Festival in support of Manitoba Moose Yearling Foundation
	$273,000	Winnipeg Wine Festival in support of Special Olympics Manitoba

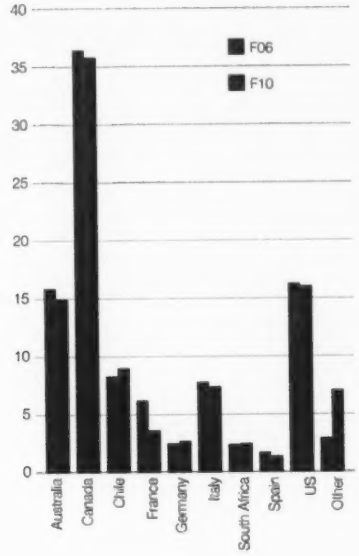
BEER SALES BY COUNTRY

F06 and F10 (%)



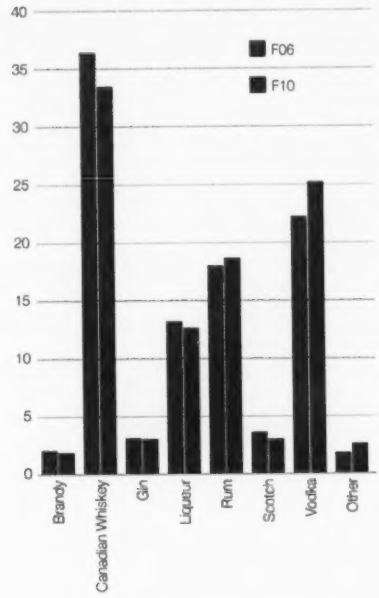
WINE SALES BY COUNTRY

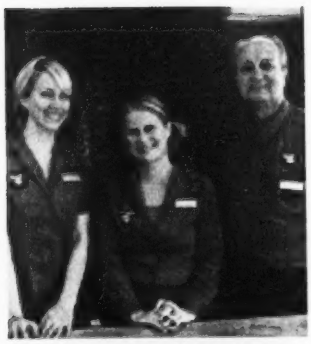
F06 and F10 (%)



SPIRIT SALES BY TYPE

F06 and F10 (%)





BUSINESS EFFECTIVENESS

PERFORMANCE RESULTS:

Measure	Target	Achieved
G & A expenses:	$73.1 million	**$70.7 million**

Note: Expenses are $2.4 million or 3.3% under budget due to cost management and project deferrals.

PRODUCTIVITY AND COST-EFFECTIVENESS

The MLCC annually reviews productivity and the cost-effectiveness of strategies to determine the most efficient way of handling inventory at its Liquor Marts and Distribution Centre. Targets are set for productivity for both Liquor Marts and the Distribution Centre.

LIQUOR MARTS

Measure	Target	Achieved
Productivity (Units/Labour Hour)	Winnipeg – 35	**34.5**
	Rural – 31	**30.9**

DISTRIBUTION CENTRE

Measure	Target	Achieved
Cases per Labour Hour	28.6	**28.9**
Inventory Turns (rolling 12 months)	7.5	**6.9**

Note: Inventory turns are below target due to import products arriving earlier than requested from overseas suppliers; additional stock purchased to offset a CN Rail strike; and inventory arriving in late March to meet demand for Easter; which occurred in early April.

POINT-OF-SALE PROJECT (CHEERS)

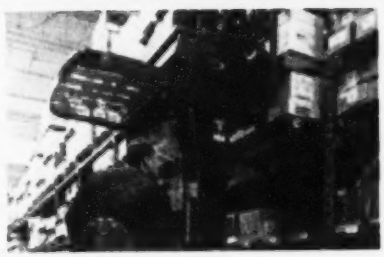
- New point-of-sale software and equipment were implemented in all Liquor Marts enabling the sale and redemption of new gift cards, as well as a sales audit function to ensure the capture, consolidation and verification of Liquor Mart sales data.

Goal:

Manage processes and systems efficiently and economically.

Objectives:

1. Initiate programs that consistently demonstrate the MLCC as a leader among Canadian liquor jurisdictions and Manitoba Crown Corporations.
2. Act as a good corporate citizen ensuring our actions align with the social, economic and environmental well-being of the communities in which we operate.



WE ARE A BUSINESS; WHICH OPERATES EFFICIENTLY.

SPONSORSHIPS

Throughout the year, the MLCC supported hundreds of community and charitable organizations, as well as sports and arts groups through sponsorships, silent auction donations and in-store fundraising activities.

F10 SPONSORSHIPS INCLUDED:

- Alzheimer Society Manitoba
- Assiniboine Community College
- Brandon Wheat Kings
- Concordia Hospital Foundation
- Dauphin Countryfest
- Fringe Festival
- Festival du Voyageur
- Folklorama
- Health Sciences Centre
- Lieutenant Governor's Winter Festival
- Liver Foundation
- Manitoba Moose
- Manitoba Museum
- Manitoba Schizophrenia Society
- Manitoba Stampede
- Mount Carmel Clinic
- Osborne House
- Riverview Health Centre
- Royal Winnipeg Ballet
- Seven Oaks General Hospital
- Special Olympics Manitoba
- United Way
- Victoria General Hospital
- Winnipeg Art Gallery
- Winnipeg Blue Bombers
- Winnipeg Folk Festival
- Winnipeg Goldeyes
- Winnipeg Symphony Orchestra

In response to the Haitian earthquake relief efforts, the MLCC assisted the Red Cross in raising $106,000 through Liquor Mart customer donations during the month of January. This amount included a $20,000 contribution from the MLCC.

During the month of February, Liquor Marts once again participated in the "Give a Heart" campaign; raising almost $60,000 for the Heart and Stroke Foundation of Manitoba through customer and employee donations.

RECORDS MANAGEMENT PROJECT

- In order to comply with provincial and federal legislation for record-keeping, the MLCC began a project in 2008 to better manage its electronic records. The implementation of software began in F10 with the Purchasing Department serving as the test model; providing feedback and assistance in preparing the roll-out throughout the organization.

CONTINGENCY PLANNING

- A test of the Disaster Recovery Plan and the disaster recovery site were held to ensure the MLCC is able to continue to provide services to its customers in the event of a disaster at Head Office. In addition, a contingency plan was developed for a pandemic influenza scenario to ensure the MLCC would be able to continue its operations.

PAYMENT CARD INDUSTRY (PCI) COMPLIANCE

- As a merchant providing payment card services, the MLCC is committed to ensuring cardholder data is protected through a program focused on maintaining compliance with PCI Data Security Standards. This is done by completing required PCI Self Assessment Questionnaires and conducting quarterly network scans, consistent with requirements for the volume of transactions processed by the MLCC on an annual basis.

ENTERPRISE RISK MANAGEMENT

- A pilot was completed for the Enterprise Risk Management project; however, plans for rollout throughout the organization were deferred due to conflicting priorities.

INTERNAL AUDIT

- The MLCC continues to monitor internal operational activities, as well as activities of its business partners, and it works with these partners to address and resolve issues identified through the audit process.

SUSTAINABLE DEVELOPMENT

The MLCC is committed to supporting initiatives that promote sustainable development and reduce greenhouse gas emissions. Under its Sustainable Development Action Plan, the following activities occurred in F10:

WASTE MANAGEMENT

- Implemented a recycling program at all Winnipeg and rural Liquor Marts where recycling is available
- Eliminated the sale of bottled water at Head Office
- Implemented a composting program at Head Office
- All light bulbs, batteries and electronic waste are sent for recycling
- Printers defaulted to double-sided

PROCUREMENT

- Implemented Energy Star® multi-functional devices to reduce number of copy/print machines
- Vendor evaluation criteria included sustainable initiatives practiced by companies bidding on RFP's

- Goods and services RFPs include criteria such as reduced/reusable packaging, sustainable transportation initiatives and purchase of commodities where efficiency, recycled content, verifiable certifications, and product composition are considerations

GREEN BUILDING

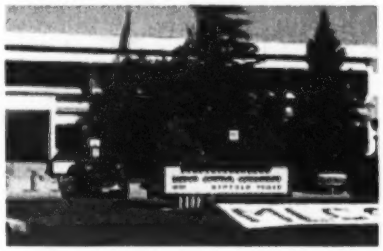
- Implemented the use of low VOC paint in all buildings
- Installed dual flush toilets and other water efficient fixtures
- Installed energy efficient T5 lighting
- Piloted LEED qualified hand dryers in Head Office

ENVIRONMENTAL AWARENESS

- Participant in the *AIR MILES® My Planet* program to encourage customers to make environmentally sustainable choices
- Participated in the Commuter Challenge, tree planting with Diageo, and hosted Earth Day activities
- Developed a quarterly newsletter "Green Scene" updating employees on MLCC's sustainability initiatives
- Created section on employee intranet with tips for employees on living more sustainably

AWARDS

Received the 2009 Manitoba Excellence in Sustainability Award for Action on Climate Change and Energy Efficiency.



The 2009 Manitoba Excellence in Sustainability Award for Action on Climate Change and Energy Efficiency is proudly displayed by (l – r): Steve Hilton, Manager, Distribution Center; Dale Heichert, Supervisor, Maintenance; Roman Zubach, Vice-president Human Resources; Brian Schinkel, Manager, Loss Prevention and Facilities; Kelsey McCluskey, Sustainable Development Co-ordinator; Chris Calvert, Supervisor, Distribution Center; and Kyle Sichewski, Manager, Procurement & Administration.

Goal:

Create a fair and equitable work environment that is challenging, diverse and inclusive.

Objectives:

1. Enhance an inclusive culture that encourages participation of all employees.
2. Ensure a flexible, well-trained staff and management workforce that has the capability to undertake new responsibilities.
3. Maintain a work environment that enables employees to meet their responsibilities and achieve our objectives.

WORKPLACE QUALITY

PERFORMANCE RESULTS:

Measure	Target	Achieved
Employee Engagement	85%	**92%**
Number of Aboriginal persons and members of visible minorities hired or promoted	7	**18 aboriginal persons hired 6 visible minorities**

COMMUNICATING THE STRATEGIC PLAN

- During the first quarter of the year, management met with staff to gather ideas and input for the F11 – F13 Strategic Plan. Suggestions were brought forward by managers to the Managers' Conference, prioritized and then submitted to Executive Management for discussion with the Board of Commissioners. After the Strategic Plan was finalized by the Board and Executive, a communication strategy was drafted to communicate the new three-year plan to all employees. A meeting of all managers to review the plan will occur early in F11.

DIVERSITY

- The MLCC continued to support diversity in the workplace, exceeding its target to hire and promote aboriginal employees and visible minorities.

TRAINING

- MLCC continues to focus on training to ensure employees have the skills and experience required to meet customer expectations, as well as changes in job responsibilities. To assist employees in managing their training needs, the MLCC selected a learning management system to automate the administration of training and development and delivery of on-line training.

The following training courses were held throughout the year:

- Higher Certificate and Basic Wine courses for Head Office and Retail employees
- Non-violent Crisis Intervention
- Interpersonal Management Skills
- Business Writing
- Outlook
- Employee Appraiser Software
- Backsafe
- Working Smaart
- Supplier seminars for Retail staff and Product Ambassadors

OUR WORK ENVIRONMENT IS SAFE, CHALLENGING AND INCLUSIVE

AWARD RECOGNITION

- For the fourth consecutive year, the MLCC has been named one of the Top 25 Employers in Manitoba for 2010.

HEALTH AND WELLNESS

- Various wellness initiatives were launched in F10 including a *Wellness Day* featuring healthy snacks and recipe swap, as well as talks on nutrition and injury prevention, fire safety and blood pressure. To encourage employees in their healthy living goals, employees participated in "The Biggest Loser" weight loss initiative. Throughout the year, the Wellness Committee provided information on various health topics including diabetes, yoga, desk stretches and proper sleep requirements.

JOB HAZARD ANALYSIS

- Safety inspections were conducted in 25 Liquor Marts, and job hazard assessments were completed in both the Maintenance and Inspection Services departments. Action plans were developed to address outstanding issues and a re-assessment was conducted in the Maintenance Department to ensure safe work procedures are in place. To enhance employee safety, GPS units were distributed to liquor inspectors.

LEADERSHIP DEVELOPMENT PROGRAM

- Several sessions were completed as a pilot program under the Leadership Development program for middle-management. These sessions included ethics, finance for non-financial managers, strategic thinking and conflict resolution.

AWARDS OF DISTINCTION

- The Awards of Distinction were established in F09 to recognize employees who make superb contributions to the MLCC and the community in the areas of Community Service, Business Innovation, Leadership, and Customer Service Excellence. A Crowning Achievement category is also included to recognize professional and personal accomplishments. In F10, the MLCC recognized three employees for their community work and customer service achievements.

SCHOLARSHIP PROGRAM

- The MLCC awarded four university scholarships in F10.

FACILITIES

- Renovation of the cafeteria at Head Office was completed and plans established for first-floor renovations in F11.

COLLECTIVE AGREEMENT

- A new four-year Collective Agreement was reached and signed between the MLCC and its unionized employees.

WHISTLEBLOWER LEGISLATION

- There are no disclosures to report in F10.

F10 AWARDS OF DISTINCTION WINNERS (l – r) Ian Cheung, Community Service Award; Lorelei Andrushuk, Community Service Award; Art Arpin, Customer Service Excellence Award.

MANAGEMENT REPORT

MARCH 31, 2010

The accompanying financial statements are the responsibility of Management and have been prepared in accordance with the accounting policies disclosed in Note 2. In Management's opinion, the financial statements have been properly prepared and of necessity, include some amounts based upon Management's best estimates and judgements.

As Management is responsible for the integrity of the financial statements, Management has established systems of internal control to provide assurance that assets are properly accounted for and safeguarded from loss.

KEN HILDAHL
President & Chief Executive Officer

INGRID LOEWEN
Chief Financial Officer

AUDITORS' REPORT

To the Board of Commissioners of
The Liquor Control Commission

We have audited the balance sheet of **The Liquor Control Commission** [an Agency of the Government of the Province of Manitoba] as at March 31, 2010 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of The Liquor Control Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of **The Liquor Control Commission** as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada
May 17, 2010

BALANCE SHEET [IN THOUSANDS OF DOLLARS]

As at March 31

	2010 $	2009 $
ASSETS		
Current		
Cash and cash equivalents	**9,190**	9,273
Accounts receivable	**20,726**	22,066
Inventory *[note 6]*	**35,690**	35,779
Prepaid expenses	**1,256**	944
Total current assets	**66,862**	68,062
Cash [restricted] *[notes 11 and 12]*	**46,360**	46,284
Property and equipment, net *[note 9]*	**25,937**	24,083
Intangible assets *[notes 3 and 10]*	**3,403**	3,068
	142,562	141,497
LIABILITIES		
Current		
Accounts payable – trade and other	**34,759**	41,601
Goods and Services Tax payable	**1,096**	994
Manitoba Retail Sales Tax payable	**1,471**	1,381
Net profit payable to the Province of Manitoba	**47,777**	42,563
Environmental Protection Tax payable	**141**	133
Deferred licence fees	**327**	292
Total current liabilities	**85,571**	86,964
Provision for employee pension benefits *[note 11]*	**53,318**	51,213
Provision for retirement allowances *[note 12]*	**3,673**	3,320
	142,562	141,497

See accompanying notes

On behalf of the Commission:

Chair of the Board

Chair of the Audit Committee

President and Chief Executive Officer

Chief Financial Officer

STATEMENT OF INCOME [IN THOUSANDS OF DOLLARS]

Year Ended March 31

	2010 $	2009 $
Sales *[schedule]*	**610,515**	583,763
Cost of sales *[schedule]*	**310,916**	295,522
Gross profit *[schedule]*	**299,599**	288,241
Other income *[note 7]*	**4,752**	4,591
	304,351	292,832
General and administrative expenses *[note 8]*	**66,913**	60,355
Depreciation	**3,761**	3,313
Net profit paid or payable to the Province of Manitoba	**233,677**	229,164

See accompanying notes

STATEMENT OF CASH FLOWS [IN THOUSANDS OF DOLLARS]

Year Ended March 31

	2010 $	2009 $
OPERATING ACTIVITIES		
Cash receipts		
Sales – spirits, wine, coolers/ciders and beer	**611,760**	582,252
Annual and supplementary licence fees and other	**4,887**	6,130
Goods and Services Tax	**30,945**	29,653
Manitoba Retail Sales Tax	**20,903**	19,619
Manitoba Waste Reduction and Prevention Levy	**494**	490
Environmental Protection Tax	**2,010**	1,983
	670,999	640,127
Cash disbursements		
Purchases – merchandise, federal duty, excise and sales taxes, etc.	**317,144**	292,639
General and administrative expenses	**65,138**	61,440
Goods and Services Tax	**30,844**	29,687
Manitoba Retail Sales Tax	**20,813**	19,636
Manitoba Waste Reduction and Prevention Levy	**492**	491
Environmental Protection Tax	**2,002**	1,985
	436,433	405,878
Net cash available from operating activities	**234,566**	234,249
INVESTING ACTIVITIES		
Acquisition of property and equipment	**(6,185)**	(7,258)
Net cash available for transfer	**228,381**	226,991
TRANSFERS TO PROVINCE OF MANITOBA		
Current year's net profit	**185,900**	186,601
Prior year's net profit	**42,564**	41,141
	228,464	227,742
Net decrease in cash and cash equivalents during the year	**(83)**	(751)
Cash and cash equivalents, beginning of year	**9,273**	10,024
Cash and cash equivalents, end of year	**9,190**	9,273

See accompanying notes

SCHEDULE OF SALES, COSTS OF SALES AND GROSS PROFIT [IN THOUSANDS OF DOLLARS]

Year Ended March 31

	Spirits $	Wine $	Coolers/ Ciders $	Beer $	Total $
SALES					
Stores	**148,054**	**89,654**	**13,900**	**45,806**	**297,414**
Liquor vendors	**35,691**	**9,088**	**3,802**	**6,650**	**55,231**
Licensees	**19,251**	**5,098**	**1,872**	**218,666**	**244,887**
Specialty wine stores	**41**	**12,858**	**84**	**—**	**12,983**
Total sales for 2010	**203,037**	**116,698**	**19,658**	**271,122**	**610,515**
Total sales for 2009	198,016	112,224	18,786	254,737	583,763
COST OF SALES					
Total cost of sales for 2010	**80,491**	**53,735**	**8,882**	**167,808**	**310,916**
Total cost of sales for 2009	78,550	51,568	8,832	156,572	295,522
Gross profit for 2010	**122,546**	**62,963**	**10,776**	**103,314**	**299,599**
Gross profit for 2009	119,466	60,656	9,954	98,165	288,241

See accompanying notes

NOTES TO FINANCIAL STATEMENTS [IN THOUSANDS OF DOLLARS]
MARCH 31, 2010

1. NATURE OF ORGANIZATION

The Liquor Control Commission [the "MLCC"] was formed in 1923 as an agency of the Government of the Province of Manitoba under *The Liquor Control Act*. The MLCC's mandate is to purchase, sell and regulate alcoholic beverages; to determine locations for retail liquor outlets; to licence and regulate facilities used by the consuming public; to provide revenue to the Province of Manitoba from the activities of the MLCC; and to do all such things necessary to effect the provisions of *The Liquor Control Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

[a] Cash and cash equivalents include cash on hand, balances with banks and outstanding electronic fund transactions forwarded to banks.

[b] Cash and cash equivalents [restricted] consist of cash balances held in a trust account which has been advanced by the Province of Manitoba to fund employee pension and retiring allowances benefits.

[c] Accounts receivable include electronic fund transactions to be forwarded to banks after March 31.

[d] Inventories of goods for resale are valued at the lower of average cost and net realizable value.

[e] Revenue is recognized at the time the product is shipped, title passes, the sales price is fixed and determinable, and collectibility is reasonably assured.

[f] Property and equipment are recorded at cost less accumulated depreciation. Depreciation is provided on the declining balance basis at the following annual rates:

Automobiles	30%
Equipment and furnishings	20%
Paving	8%

Leasehold improvements are depreciated on a straight-line basis over the remaining term of the lease or a minimum of five years.

Buildings are depreciated on a straight-line basis over 40 years.

[g] Intangible assets are recorded at cost less accumulated amortization. Amortization is provided on the declining balance basis at the following annual rate:

Systems development	30%.

[h] Substantially all of the employees of the MLCC are eligible for pension benefits based on length of service and average annualized earnings calculated on the best five years prior to retirement, termination, or death that provides the highest earnings. Pension costs, included in salaries, benefits and pension costs, consist of the employer's share of pension benefits paid to retired employees, as well as the increase in unfunded pension liabilities during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years being determined by formula provided by the actuary as detailed in note 11. Actuarial gains and losses are recognized in income immediately as detailed in note 11.

[i] In preparing the MLCC's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

[j] The MLCC has classified all financial instruments into one of the following five categories: held for trading, held to maturity investments, available for sale financial assets, loans and receivables and other financial

liabilities. All financial instruments are included on the balance sheet and are measured at fair value with the exception of loans and receivables, held to maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held for trading financial instruments are measured at iair value and all gains and losses are included in income in the period in which they arise. Available for sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset or liability is removed from the balance sheet.

3. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2009, the MLCC prospectively adopted the Canadian Institute of Chartered Accountants ["CICA"] Section 3064, "Goodwill and Intangible Assets", and Section 3862, "Financial Instruments – Disclosures".

Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets as well as determining when intangible assets can be recognized. The adoption of this standard had no financial impact on the MLCC's financial statements except for the reclassification from property and equipment to intangible assets of $3,403 [2009 - $3,068] as detailed in note 10.

Section 3862 enhances disclosure requirements around fair value measurements and the liquidity risk of financial instruments. Specifically, financial instruments recognized at fair value on the balance sheet must be classified in one of the following three fair value hierarchy levels:

Level 1 – measurement based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.

Level 2 – measurement based on inputs other than quoted prices included in level 1 that are observable for the asset or liability.

Level 3 – measurement based on inputs that are not observable (supported by little or no market activity) for the asset or liability.

The MLCC discloses information surrounding fair value measurement and liquidity risk associated with financial instruments in note 4.

4. FINANCIAL INSTRUMENTS

CREDIT RISK

Accounts receivable are all current at year end and were fully collected subsequent to year end. Therefore no allowance for uncollectible amounts was accrued by management. Accounts receivable are written off when management determines that they cannot be collected or they have been outstanding for greater than 120 days.

LIQUIDITY RISK

Liquidity risk is mitigated by collection terms on accounts receivable being set at less than or equal to the payment terms of accounts payable. All accounts payable are due within 30 days of year end. See note 13 for details of other contractual obligations and their maturities.

FOREIGN CURRENCY RISK

The MLCC is exposed to currency risk through inventory purchase transactions that require settlement in foreign currencies. Exposure to fluctuations in exchange rates is mitigated by the policy of adjusting purchase or selling prices to maintain the profit margin approved by the Board of Commissioners.

FAIR VALUE

The fair value of the MLCC's financial instruments on initial recognition is the transaction price, which is the value of the consideration given or received. At March 31, 2010, the MLCC's only financial asset or liability measured at fair value on a recurring basis was cash totalling $9,190 which was measured at fair value using Level 1 inputs.

The MLCC has made the following classifications of its financial instruments:

Cash and cash equivalents are classified as held for trading and measured at fair value. The gains or losses arising on the revaluation to fair value at the end of the year are included in net income.

Accounts receivable are classified as loans and receivables and recorded at cost, which upon initial recognition is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Accounts payable, net profit payable to the Province of Manitoba, and other taxes payable are classified as other financial liabilities and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

It is management's opinion that the MLCC is not exposed to significant interest rate, currency, liquidity, or credit risks arising from these financial instruments. The fair values of the MLCC's financial instruments approximate their carrying value unless otherwise stated due to the short period between initial recognition and subsequent settlement.

5. CAPITAL DISCLOSURES

The MLCC defines its capital as cash and cash equivalents available for operations. The MLCC's objectives are to have cash resources available for operations, to provide flexibility to take advantage of opportunities that will advance its purposes and to meet its obligation to transfer its net profit to the Province of Manitoba annually. The need for cash is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget. As at March 31, 2010, the MLCC has met its objective of having sufficient cash resources to meet its current obligations.

6. INVENTORY

Inventory consists of the following:

	2010	2009
	$	$
Warehouse	**23,802**	23,743
Stores	**11,888**	12,036
	35,690	35,779

The amount of unpaid and unrecorded Customs and Excise duties on owned merchandise held in bond is approximately $3,948 at March 31, 2010 [2009 – $3,550].

7. OTHER INCOME

Other income consists of the following:

	2010 $	2009 $
Annual licence fees and licence application fees	**1,104**	1,105
AIR MILES® revenue	**957**	927
Advertising revenue – other	**791**	782
Miscellaneous	**689**	451
Occasional permit additional fees	**471**	559
Occasional permit fees	**329**	229
Administration charges	**260**	317
Border point fee	**125**	154
Specialty wine store fees	**26**	26
Supplementary licence fees	**–**	41
	4,752	4,591

8. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consist of the following:

	2010 $	2009 $
Salaries, benefits and pension costs *[note 11]*	**41,541**	36,677
Leased premises – rentals *[note 13]*	**6,791**	6,374
Maintenance and repairs	**3,174**	2,692
Bank charges	**2,341**	1,930
Delivery charges	**1,781**	1,806
Utilities	**1,545**	1,453
AIR MILES® program	**1,288**	1,182
Equipment rentals *[note 13]*	**685**	969
Alcohol education	**821**	792
Printing, postage and supplies	**779**	723
Miscellaneous	**699**	701
Protective services	**792**	682
Grants in lieu of taxes	**667**	665
Health and Post-Secondary Education Tax levy	**699**	651
Professional fees	**520**	600
Staff training	**656**	552
Advertising and promotions	**521**	452
Community support	**577**	442
Travel	**391**	369
Communications	**253**	242
Vehicle expenses	**199**	212
Crown Corporations Council levy	**105**	97
Product analysis	**74**	72
Interest – long-term	**14**	20
	66,913	60,355

9. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2010		
	Cost	**Accumulated Depreciation**	**Net Book Value**
	$	**$**	**$**
Land	**120**	**—**	**120**
Automobiles	**639**	**386**	**253**
Equipment and furnishings	**11,728**	**5,133**	**6,595**
Paving	**496**	**175**	**321**
Leasehold improvements	**11,198**	**5,543**	**5,655**
Buildings	**17,473**	**4,480**	**12,993**
	41,654	**15,717**	**25,937**

	2009		
	Cost	Accumulated Depreciation	Net Book Value
	$	$	$
Land	123	—	123
Automobiles	655	388	267
Equipment and furnishings	10,555	5,530	5,025
Paving	419	152	267
Leasehold improvements	10,337	4,795	5,542
Buildings	16,972	4,113	12,859
	39,061	14,978	24,083

10. INTANGIBLE ASSETS

Intangible assets consist of the following:

	2010		
	Cost	**Accumulated Amortization**	**Net Book Value**
	$	**$**	**$**
Systems development	**12,816**	**9,413**	**3,403**

	2009		
	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Systems development	12,203	9,135	3,068

11. PROVISION FOR EMPLOYEE PENSION BENEFITS

The MLCC maintains a defined benefit pension plan in accordance with the provisions of *The Civil Service Superannuation Act* administered by the Civil Service Superannuation Board. An actuarial valuation of the provision for employee pension benefits was conducted by Ellement & Ellement Ltd. Consulting Actuaries as of December 31, 2007. The projected unit credit method was used and the liabilities have been extrapolated to March 31, 2010 using a formula provided by the actuary.

	2010	2009
	$	$
Accrued benefit liability, beginning of year	**51,213**	51,124
Gain based on 2007 actuarial report	**—**	(1,956)
Benefits accrued	**1,736**	1,572
Interest accrued on benefits	**3,597**	3,453
Benefits paid	**(2,762)**	(2,658)
Manitoba Finance matching pension contributions	**(466)**	(322)
Accrued benefit liability, end of year	**53,318**	51,213
Pension expense	**5,333**	5,025
Employee contributions	**1,667**	1,509
Employer contributions	**2,762**	2,980

The pension expense consists of benefits accrued of $1,736 [2009 – $1,572] and interest accrued on benefits of $3,597 [2009 – $3,453]. The key actuarial assumptions used in determining the MLCC's provision for employee pension benefits were at the following weighted average rates:

	2010	2009
	%	%
Expected long-term rate of return	**6.50**	6.50
Inflation	**2.50**	2.50
Rate of future compensation increases	**4.25**	4.25

In addition, post-retirement indexing is at 1.67%.

The amount of the long-term provision for employee pension benefits of $40,731 as at March 31, 2003 has been funded by the cash advanced by the Province of Manitoba. The funds are held in a trust account and are recorded as restricted cash *[note 2[b]]*.

12. PROVISION FOR RETIREMENT ALLOWANCES

Effective April 1, 1998, the MLCC commenced recording accumulated retirement allowances for its employees. Eligible employees are entitled to receive a retirement allowance equal to one week's pay, to a maximum of 25 weeks, for each year of continuous employment based on the current salary at date of retirement. The provision recorded is calculated based on a formula provided by the Province of Manitoba.

The amount of the opening provision for retirement allowances as at April 1, 1998 of $3,165 has been funded by the cash advanced by the Province of Manitoba. The funds are held in a trust account and are recorded as restricted cash *[note 2[b]]*.

13. COMMITMENTS

[a] The MLCC leases 45 buildings. Leases have expiry dates ranging from 2011 to 2028.

The future minimum annual lease payments for each of the next five years and thereafter are as follows:

Year ending March 31	**$**
2011	4,701
2012	4,486
2013	4,322
2014	4,164
2015	3,941
Thereafter	24,066
	45,680

[b] The MLCC leases computer equipment. Leases on this computer equipment have expiry dates ranging from 2011 to 2012. The future minimum lease payments for each of the years to the expiry of the lease contracts are as follows:

Year ending March 31	**$**
2011	467
2012	9
	476

14. COMPARATIVE FIGURES

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year's financial statements.

LIQUOR MARTS

The MLCC's 50 Liquor Marts operate throughout Manitoba in the following communities:

BEAUSEJOUR
619 Park Avenue

BRANDON
- 1015 Victoria Avenue
- Brandon Shoppers Mall, 18th & Richmond Avenue
- Corral Centre, 805-18th St. North

CARMAN
3 Centre Avenue West

CHURCHILL
203 Laverendrye Avenue

DAUPHIN
130 First Avenue North West

FLIN FLON
26 Hapnot Street

GIMLI
52 Centre Street

KILLARNEY
516 Broadway Avenue

LAC DU BONNET
99 – 2nd Avenue

MINNEDOSA
16 – 2nd Avenue North West

MORDEN
331 North Railway Street

NEEPAWA
393 Mountain Avenue

PINE FALLS
17 Pine Street

PORTAGE LA PRAIRIE
300 Saskatchewan Avenue

ROBLIN
124 Main Street West

RUSSELL
202 Shell River Avenue North

SELKIRK
377 Main Street

STEINBACH
118 PTH 12 N

SWAN RIVER
716 Main Street

THE PAS
249 Fischer Avenue

THOMPSON
131 Selkirk Avenue

VIRDEN
197 – 3rd Avenue

WINNIPEG

Bunn's Creek Shopping Mall
2001 Henderson Highway

Charleswood
1D – 3900 Grant Avenue

cityplace
333 St. Mary Avenue

Crestview Shopping Centre
170 – 3393 Portage Avenue

Dominion Shopping Centre
21 Marion Street

Eastwinds Shopping Centre
23 – 1530 Regent Avenue

Fort Garry
1235 Pembina Highway

Fort Richmond
2855 Pembina Highway

Garden City Square
Unit 2 – 915 Leila Avenue

Grant Park Plaza Shopping Centre
1120 Grant Avenue

Hargrave & Ellice
325 Ellice Avenue

Kenaston Crossing
8 – 1650 Kenaston Boulevard

Madison Square
P – 1600 Ness Avenue

Main & Jefferson
1662 Main Street

Main & Pritchard
1005 Main Street

Northdale Shopping Centre
965A Henderson Highway

Portage & Ainslie
2549 Portage Avenue

Portage & Burnell
923 Portage Avenue

Rivergrove
2615 Main Street

River & Osborne
469 River Avenue

St. Vital Square
5 – 827 Dakota Street

Southdale Shopping Centre
21 – 67 Vermillion Road

Southglen
Unit A – 730 St. Anne's Road

Transcona Square
1 – 620 Kildare Avenue East

Tuxedo
168 – 2025 Corydon Avenue

Tyndall Market Mall
Unit 15 – 850 Keewatin Street

LIQUOR VENDORS

Liquor vendors are partners with the MLCC. By combining liquor sales with their existing business, these local entrepreneurs help to ensure their viability. There are currently 177 liquor vendors operating in Manitoba.

ALEXANDER
Stahl's Food Mart

ALONSA
Zdan's Family Store

ALTONA
Altona Cleaners Inc.

ANOLA
Anola Fine Foods

ARBORG
Arborg Pharmacy

ARGYLE
Meridian Trail General Store

ASHERN
Ashern Pharmacy

AUSTIN
Kim's Familymart Ltd.

BALDUR
Baldur Variety Store

BELMONT
Belmont Hardware

BENITO
Benito Pharmasave

BIG WHITESHELL LAKE
Big Whiteshell Lodge (2000) Inc.

BIRCH RIVER
Birchwood Grocery

BIRD RIVER
Tall Timber Lodge Ltd.

BIRDS HILL
Birds Hill Store

BIRTLE
Birtle Pharmacy

BOISSEVAIN
Hazlewood Enterprises

BRUNKILD
Brunkild Beverage & Grocery

BRUXELLES
Marginet's Grocery & Hardware

BUFFALO POINT
Buffalo Bay Marina

CAMPERVILLE
McKay Grocery

CFB SHILO
Canex Super Mart

CARBERRY
Spud City Food Mart Ltd.

CARTWRIGHT
Cartwright Health Centre

CLANDEBOYE
Clandeboye Store

CLEARWATER LAKE
Wally's Place

COWAN
Kolisnyk's General Store

CRANBERRY PORTAGE
Streamer Hardware

CYPRESS RIVER
Cypress River Lucky Dollar

DAKOTA PLAINS
Wahpeton Grocery

DELORAINE
Myrna's Fabric Boutique

DOMINION CITY
Dominion City Food Town

DUGALD
Dugald Convenience Store

ELGIN
West Elgin Mall

ELIE
Elie Grocery Store

ELKHORN
Twin Valley Co-op Ltd.

ELM CREEK
Elm Creek Co-operative Oil & Supplies Ltd.

ELMA
Elma Country Store

EMERSON
Emerson Bigway

ERICKSON
Mountain Park Pharmacy

ERIKSDALE
Eriksdale Shop Easy

ETHELBERT
Bird's Corner Store

FALCON LAKE
Lumber One Building Supplies

FISHER BRANCH
Fisher Branch Health Centre

FRASERWOOD
J & J Store

GARSON
Garson Grocery Ltd.

GILBERT PLAINS
Gilbert Plains Pharmacy

GILLAM
Trappers Shack

GLADSTONE
Gladstone Pharmacy

GLENBORO
Glenboro Pharmacy Ltd.

GLENELLA
Preisentanz's General Store

GLENORA
Glenora Mall

GRAND MARAIS
Grand Marais Village Store

GRAND RAPIDS
Grand Rapids Esso

GRANDVIEW
Grandview Home Hardware

GREAT FALLS
Great Falls Foods

GRINDSTONE
Grindstone General Store

GULL LAKE
Sherwood Grocery

GYPSUMVILLE
Rawluk's Grocery & Pro Hardware

HADASHVILLE
Saindon's Country Store

HAMIOTA
Rawlings Home Hardware

HARTNEY
Hartney Co-op

HECLA
Hecla Island General Store

HODGSON
Buckskin Trading Post

HOLLAND
Holland Home Hardware

ILE DES CHENES
Ile Des Chenes Country Store

INGLIS
Jordie's Food Mart

INWOOD
Inwood Food Town

KELWOOD
Kelwood Store

KENTON
Houston's

KOMARNO
Komarno Quality Store

LA BROQUERIE
Le Bon Ami

LA SALLE
Jeni's Food & Hardware

LAKE OF THE PRAIRIES
Kilman Resort

LAKE METIGOSHE
Turtle Mountain All Season Resort

LANGRUTH
Farncombe's Food Centre

LAURIER
Molgat Shopping Centre

LEAF RAPIDS
Kings Health & Variety

LEE RIVER
Osprey Landing General Store

LETELLIER
Gallant's Lucky Dollar

LOCKPORT
Lockport Grocery

LORETTE
Dawson Trail Country Store Inc.

LUNDAR
Lundar Pharmacy Ltd.

LYNN LAKE
Clarke's Health & Variety

MACGREGOR
MacGregor Pharmacy

MANIGOTAGAN
Kara's Convenience

MANITOU
Manitou Variety & Health

MARIAPOLIS
Pouteau Foods

MCAULEY
McAuley Country Grocery
Co-op Ltd.

MCCREARY
Reischek's Pharmacy

MELITA
Liquid World

MIAMI
Miami Variety

MINIOTA
Miniota C-Store

MINITONAS
Nemetchek Enterprises (1992)

MINTO
Minto Community Market

MOOSEHORN
Moosehorn Consumer Co-op Ltd.

MORRIS
Morris Super Variety

NARROWS
The Narrows General Store

NEWDALE
Strathclair Co-Op (Newdale Branch)

NINETTE
The Grocery Box

NIVERVILLE
Niverville Bigway Foods

NOTRE DAME
Notre Dame Shopping Centre

NUTIMIK LAKE
Nutimik Lodge

OAK LAKE
Valleyview Oak Lake Co-op

OAKBANK
Family Fare

OAKBURN
Oak-Site Foods

OAKVILLE
Oakville Super Market

ONANOLE
B & D Hardware Inc.

PIERSON
Edward Consumers
Co-Operative Ltd.

PILOT MOUND
Dobson's Foods Ltd.

PINAWA
Solo Market

PINE RIVER
Semeniuk's Groceteria

PIPESTONE
Main Street Market

PLUM COULEE
Tri-Coulee Investments

PLUMAS
Plumas Stop & Shop

POINTE DU BOIS
Pam's Place

POPLARFIELD
King Buck Inn

RAPID CITY
Rapid City Insurance Services

RATHWELL
Rathwell Solo & Hardware

RENNIE
Rennie General Store (2005)

RESTON
Reston Drugs

RICHER
Burnells Food Plus

RIDGEVILLE
Ridgeville Cooperative Community Club (Beer only)

RIVERS
Rivers Super Thrifty Drug Mart Ltd.

RIVERTON
The Other Place

ROCK LAKE BEACH
Rock Lake Beach Store (2008)

ROLAND
Roland General Store

RORKETON
Tracy's Insurance Agencies

ROSSBURN
L.P.K. Enterprises

ST. ADOLPHE
St. Adolphe Esso

ST. AMBROISE
Ducharme's General Store

ST. CLAUDE
Philippot's Shop Easy Foods

ST. EUSTACHE
Magasin Beaudin Store

ST. FRANCOIS XAVIER
S.F.X. Country Store

ST. JEAN BAPTISTE
St. Jean Home Centre

ST. LAURENT
Depanneur Entre-Lacs

ST. LAZARE
Fafard's Place

ST. MALO
St. Malo Co-operative Ltd.

ST. PIERRE-JOLYS
St. Pierre Bigway

STE. AGATHE
De'Panneur Cheyenne Convenience Store

STE. ANNE
Ste. Anne Sundries Ltd.

STE. ROSE DU LAC
Ste. Rose Variety Shop (2001)

SANDY LAKE
Sandy Lake Hardware

SANFORD
Sanford Lumber & Building Supplies

SARTO
Sarto General Store

SEVEN SISTERS
Tirschman's Esso

SHOAL LAKE
Shoal Lake Pharmacy

SIFTON
Boguski Grocery

SNOW LAKE
Cornerview Enterprises Ltd.

SOMERSET
Crossroads Grocery

SOURIS
Souris Valley Foods

SPRAGUE
Carl's Solo Store

SPRINGFIELD
Garven Convenience Store

STARBUCK
"Dawn 'Til Dusk" Convenience Store

STONEWALL
Stonewall Pharmacy Ltd.

STONY MOUNTAIN
Pick 'N Pay

STRATHCLAIR
Strathclair Consumers Co-op Ltd.

SWAN LAKE
B & B Store

TEULON
Teulon Pharmacy

TOLSTOI
Tolstoi Super Mart

TRAVERSE BAY
Traverse Bay Corner Store

TREHERNE
Treherne Pharmacy

VASSAR
Vassar Corner Store

VITA
Sumthing Special Florist & Gift Shop

WABOWDEN
Dwyer's General Store

WANLESS
WeSte General Store

WARREN
Pete's General Store

WASKADA
Wilbro Enterprises Inc.

WATERHEN
Waterhen General Store

WAWANESA
Gullett Pro Hardware

WEST HAWK LAKE
West Hawk Lake Resort

WESTBOURNE
Sportsman's Corner Campground

WHITEMOUTH
Whitemouth Sundries

WINNIPEG BEACH
Ford's Groceries

WINNIPEGOSIS
Winnipegosis Meat Market

WOODLANDS
Studler's Enterprises Inc.

WOODRIDGE
Vintage Corner Store

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